



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

**Division of Local Finance
Utility Management Review Board
Suite 1700 James K. Polk State Office Building
505 Deaderick Street Nashville, Tennessee 37243-0274
Phone (615) 401-7976 Fax (615) 532-5232**

January 31, 2008

The Honorable Phil Bredesen
Governor of Tennessee
First Floor, State Capitol
Nashville, TN 37243

Dear Governor Bredesen:

The Utility Management Review Board (Board) is submitting to you its annual report for 2007.

On behalf of each member of the Board, I would like to extend our appreciation to the ladies and gentlemen of the Comptroller of the Treasury, the Tennessee Department of Environment and Conservation, and the Tennessee Association of Utility Districts for their valuable contributions to the Board this year. Without their assistance, the Board would not have been successful.

The goal of the Board is to follow our legislative mandates and to extend our services to the citizens of the State of Tennessee. We appreciate your continued confidence in and support of the Board. If I, or any member of the Board, can be of further assistance to you and your staff, please feel free to contact me at (423)209-6150.

Sincerely,

David Norton
Chairman

Attachments

Cc: Honorable John G. Morgan, Comptroller of the Treasury

ANNUAL REPORT OF THE UTILITY MANAGEMENT REVIEW BOARD

January 2007 through December 2007

Prepared by

The Utility Management Review Board
and
The Comptroller of the Treasury
January 2008

ANNUAL REPORT FOR 2007

The 95th General Assembly created the Utility Management Review Board (Board) in 1987. The State of Tennessee has approximately 185 utility districts. The Board promulgated its rules and regulations and began hearing cases in January 1989. The rules were revised in December 1994 and are currently in the process of another revision. On May 3, 2007, Public Chapter 86 was signed transferring the administrative responsibility of the Board to the Comptroller of the Treasury.

The Division of Municipal Audit, Comptroller of the Treasury, refers financially distressed utility districts to the Board. Financially distressed utility districts are defined as having a deficit total net assets in any one year, having a net operating loss for a period of three consecutive years, or are currently in default on any debt instruments.

The Comptroller of the Treasury has entered into a contract with the Tennessee Association of Utility Districts (TAUD) to provide assistance and recommendations to the financially distressed utility districts in order to comply with the law.

The Board is also responsible for serving as an appeals board between the customer and the local Board of Commissioners of the utility district. Staff received 121 complaints in 2007, but none of the complaints were presented to the Board for resolution.

During the four meetings held in 2007, ten case studies, one status report, and one compliance report were presented to the Board. One petition was submitted for consolidation of two districts and two petitions were submitted to allow districts to provide sewer service.

The Board monitors all cases previously presented to determine if the approved recommended compliance plans are working as proposed. If not, the Board requires the district to meet with the Board to explain what steps need to be taken to solve their financial distress. Of the 139 utility districts which have appeared before the Board in its twenty year existence (financial distress, contested complaint, petition, etc.), only 24 remain under the jurisdiction of the Board. This reflects a compliance rate of 83%.

In 1989, the General Assembly created the Utility Relocation Loan Program (URLP). This legislation was enacted to assist cities and utility districts that required financial assistance to relocate utility lines due to highway construction by the Tennessee Department of Transportation.

The Board was designated as the agency to recommend loans to the State Funding Board. There were no loan requests submitted to the Board during 2007. Currently there are six outstanding loans. The available balance in the loan program on December 31, 2007 was approximately \$5,725,372.

During the 2007 session, the General Assembly recognized that a utility district should have the authority to adopt its own ethics policy instead of being subject to the policy of the county. The Legislation required that the Board review and approve the TAUD model of ethical standards before the model could be adopted by any utility district or water, wastewater or gas authority. The Board completed this mandate on August 2, 2007. If a district or authority chooses not to adopt the TAUD model, it must adopt a policy which must be determined to be more stringent by the Board. One authority presented a policy which the Board determined to be more stringent than the TAUD policy.

Also during the 2007 session, legislation was passed which required the Utility Management Review Board to determine an acceptable percentage for unaccounted for water loss, requiring a rulemaking process. Under the Uniform Administrative Procedures Act, the rulemaking hearing was held on December 5, 2007. The process is continuing during 2008.

CASES PRESENTED TO THE UTILITY MANAGEMENT REVIEW BOARD DURING 2007

Utility District

County

Case Studies

Southside Utility District	Smith
Walden's Ridge Utility District	Hamilton
Hornbeak Utility District	Obion
Calhoun-Charleston Utility District	McMinn/Bradley
Lake County Gas Utility District	Lake
Northeast Lawrence Utility District	Lawrence
New Prospect Utility District	Lawrence
Fall River Utility District	Lawrence
Iron City Utility District	Lawrence
West Point Utility District	Lawrence

Status Reports

Samburg Utility District	Obion
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Compliance Reports

Walden's Ridge Utility District	Hamilton
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Other

Suck Creek Utility District	Hamilton
Consolidate with Tennessee American	

Petitions

Castalian Springs/Bethpage Utility District	Sumner
To provide sewer service	
First Utility District of Carter County	Carter
To change commissioner selection method	
Later withdrawn	
South Blount Utility District	Blount
To provide sewer service	
Northeast Lawrence County Utility District	Lawrence
New Prospect Utility District	Lawrence
Consolidation	
Water Authority of Dickson County	Dickson
Ethics policy	

Complaints received by staff

By telephone	82
By e-mail	9
By letter	30

TAUD Contract

On site visits	179
Hours on contract	727

**UTILITY DISTRICTS
CURRENTLY UNDER THE JURISDICTION OF THE
UTILITY MANAGEMENT REVIEW BOARD**

Utility District

County

Bedford County Utility District	Bedford
Calhoun-Charleston Utility District	McMinn/Bradley
Clay Gas Utility District	Clay
East Fork Utility District	Overton
Fall River Utility District	Lawrence
Hornbeak Utility District	Obion
Humphreys County Utility District	Humphreys
Iron City Utility District	Lawrence
Lake County Utility District	Lake
Lakeview Utility District	Hawkins
Lone Oak Utility District	Sequatchie
Mooreburg Utility District	Hawkins
Northeast Lawrence Utility District	Lawrence
Riceville Utility District	McMinn
Sale Creek Utility District	Hamilton
Samburg Utility District	Obion
Second South Cheatham Utility District	Cheatham
South Elizabethton Utility District	Carter
Southside Utility District	Smith
Sunbright Utility District	Morgan
Surgoinsville Utility District	Hawkins
Upper Cumberland Gas Utility District	Cumberland
Webb Creek Utility District	Sevier
West Point Utility District	Lawrence

**CURRENT MEMBERS
OF THE
UTILITY MANAGEMENT REVIEW BOARD**

Mr. David Norton, Chairman
Hixson Utility District, Commissioner
Hamilton County

Ms. Ann Butterworth, Vice Chairman
Office of the Comptroller of the Treasury

Dr. Rosemary Wade Owens
Consolidated Utility District, Commissioner
Rutherford County

Mr. S. Donnie Leggett
Hardeman-Fayette Utility District, General Manager
Hardeman County

Mr. Ken Pointer
Tennessee Department of Environment and Conservation

Mr. Ray Smith
West Tennessee Public Utility District, Commissioner
Carroll County

Mr. Don Stafford
Eastside Utility District, General Manager
Hamilton County

Mr. Ron West
Walden's Ridge Utility District, General Manager
Hamilton County

Mr. Troy Roach
New Market Utility District, General Manager
Jefferson County

**COMPTROLLER OF THE TREASURY
STAFF TO THE
UTILITY MANAGEMENT REVIEW BOARD**

Mr. David Bowling
Director, Division of Local Finance

Ms. Joyce Welborn
Board Coordinator

Mr. Bobby Lee
General Counsel to the Comptroller

Mr. Dennis Dycus
Director, Division of Municipal Audit

Mr. Bill Case
Manager, Division of Municipal Audit